

With California's state government deadlocked over a \$24 billion hole in its budget, the Golden State is hurtling toward financial apocalypse.

Washington's response? Deal with it yourselves.

California is the world's 8th-largest economy, home to one out of every eight Americans and the holder of 55 electoral votes. The state enjoys incredible sway on Capitol Hill - witness Friday's passage of the climate change bill championed by House Speaker Nancy Pelosi (D-Calif.) and House Energy and Commerce Committee Chairman Henry Waxman (D-Calif.) - and it may hold the key to President Barack Obama's re-election: California's fiscal pain could imperil the economic recovery of the entire nation.

But the Obama administration and the state's powerful congressional delegation say they just can't hold the state's hand through this one.

And some of the toughest love is coming from California's own.

"Why would we bail out the state when it's like giving drugs to a drug addict?" said Rep. Devin Nunes, a Republican who represents parts California's San Joaquin Valley.

Asked if the federal government should be helping California with its budget crisis, Democratic Sen. Dianne Feinstein - the state's senior senator - shot back: "Do you know what the state is getting in stimulus money? \$50 billion."

Rep. Zoe Lofgren, the chairwoman of the state's 33-member Democratic delegation, said California's budget quagmire is largely a result of structural process in the budget process: It takes a two-thirds majority in both houses of the state legislature to pass a budget or raise taxes, which effectively means that no one can do anything unless majority Democrats, minority Republicans and the state's Republican governor, Arnold Schwarzenegger, agree.

"If we [in Congress] had to do what the California legislature does, we would never send a bill to the president of the United States," she said. "That's a problem. But I can't solve that problem. .

. . Ultimately the voters of California are going to have to confront what's happening in their state and figure out what to do about it."

The White House echoes this can't-save-California-from-itself sentiment.

"We'll continue to monitor the challenges that they have. But this budgetary problem, unfortunately, is one that they're going to have to solve," White House spokesman Robert Gibbs said earlier this month.

In May, when State Treasurer Bill Lockyer asked the Obama administration for aid in the form of federal guarantees for the short-term bonds the state needs to sell to pay its bills this summer, the White House said no; Treasury determined that such assistance would help only at the margins.

Some Democrats in the California delegation - including Lofgren - are working with House Financial Services Committee Chairman Barney Frank (D-Mass.) on legislation that would allow Treasury to use TARP funds to guarantee short-term bonds that California and several other states regularly issue to deal with cash flow. But Lofgren said it would be "very unusual" for Congress to move quickly enough to help.

And any kind of California-specific bailout would be politically unpopular outside of the Golden State. The TV spots all but write themselves: Think shuttered auto plants in Michigan side by side with chardonnay-sipping San Franciscans and starlets by the pool at the Beverly Hills Hotel.

A May Rasmussen poll found that 66 percent of voters nationwide opposed the federal government guaranteeing California's loans. And 48 percent said it would be better to let California go bankrupt than to hand the state a federal bailout.

Helping out California would open a Pandora's box of policy headaches for the administration. How do you justify helping one state - even if it's the biggest - when dozens of other state legislatures and governors have managed to make the wrenching budget cuts necessary? Granting special assistance could be seen as rewarding the worst actor - and set a dangerous precedent that might tempt other states to shrug off budget pain in hopes of getting a bailout.

Another option would be a second stimulus to help all severely cash-strapped states and counteract the economic drag their budget cuts are having on the recovery. But Obama was asked about the possibility of a second stimulus last week, and he made it clear that he wasn't ready to go down that road.

There are plenty of good reasons California's congressional delegation isn't wading into the state's budget morass, either.

Members from California know that a California-specific bailout wouldn't be popular with their colleagues from the not-so-Golden states - and even less so since the White House isn't on board.

And analysts say the California delegation isn't quite as powerful as it looks. Sure it's the largest delegation on the Hill, and sure California boasts an impressive number of power players - including the speaker of the House herself. But the delegation is famously fractured, and not just along party lines. This is not the Texas or Michigan, whose members tend to close ranks when fighting for their state's welfare.

"You can't get the California delegation together for anything," said John Ellwood, a professor of public policy at University of California, Berkeley.

State officials haven't put much pressure on the delegation. Schwarzenegger has said repeatedly that he doesn't want federal assistance, and his office was not directly involved in the May appeal to Treasury. A Lockyer spokesman said his office hasn't spoken with administration officials since they turned down the request for the bond guarantees.

"We have been since then and continue to operate under the assumption that we are on our own; we are not going to get any help from the Obama administration. It's a California problem; it has to be solved by Californians. And that's what we plan to do," said spokesman Tom Dresslar.

"The legislature and the governor have got to come together and make some decisions," and then perhaps there is a way for the federal government to help, said veteran California Rep. George Miller, a Democrat and close Pelosi ally. "But I don't see it now until the legislature takes the steps that they can and need to."

California Republicans cite somewhat different reasons for California's current woes, including abusive union power and an addiction to spending, but their diagnosis is surprisingly similar to that of their Democratic colleagues.

"This is not a new problem for California," said Republican Rep. John Campbell, who served in the California state legislature from 2000 to 2005, citing three or four smaller-scale budget crises since the early 1990s.

"The legislature and the governor just have not confronted the structural issues" causing the problems, said Campbell. "If the federal government helps out too much here, they'll just put it off."

As for his Democratic colleagues' similar statements, Campbell speculated that "a number of them served in the legislature, they may feel the same way I do... that if we do something now, we'll perpetuate the problem."

The California situation amounts to a person "holding a gun to his head and saying, 'If you don't do something, I'll shoot myself,'" said Alan Auerbach, an economist and public finance professor at Berkeley. "On the one hand, California needs help; but on the other hand, it certainly wouldn't be unreasonable for the federal government to insist that California help itself too." Still, even if Sacramento is to blame for the state's problems, isn't California "too big to fail"? Some analysts say yes.

"California is such a large and important fraction of the nation's economy now and in the future that pending budget cuts could delay a national recovery and weaken the nation's long-term competitiveness," said Jean Ross, executive director of the nonpartisan California Budget Project, said in an e-mail to POLITICO.

Loan guarantees aren't enough, Ross said, arguing for a direct infusion of cash or increased federal assistance to the state's health programs.

As for getting California's house in order, Ross and others suggest the feds attach strings to the assistance that require significant changes in exchange for help.

Treasury, which is monitoring state-level conditions, hasn't completely shut the door to helping California, but aid would only come under the most dire circumstances, said a source familiar with the department's thinking. And the terms would be incredibly unattractive - the better to deter other states from putting themselves in a similar position.